

Top Secret

(Security Classification)

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NATIONAL INTELLIGENCE DAILY CABLE

Thursday 6 April 1978

CG NIDC 78/080C

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NATIONAL SECURITY INFORMATION

Unauthorized Disclosure Subject to Criminal Sanctions

State Dept. review completed

DIA review(s) completed.

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National Intelligence Daily Cable for Thursday, April 6, 1978.

The NID Cable is for the purpose of informing senior US officials.

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JAPAN: Strategic Oil Stockpiling

25X1 [] Japan has decided to speed up its strategic oil stockpiling program in an effort to reduce its burgeoning trade surplus and aid its ailing tanker industry. The government plans to purchase this year half of the 63 million barrels of oil destined for strategic storage and to place it in Japanese tankers until enough onshore facilities can be completed in the early 1980s. The plan will boost oil imports by \$500 million in 1978 and provide roughly \$80 million annually in fees for the domestic tanker industry.

25X1 [] The program probably will by the early 1980s give Japan a stockpile that would cover some 100 days of oil imports. This compares with the US program to stockpile oil for 60 days--500 million barrels--by 1980 and eventually to build a stockpile for about 180 days.

25X1 [] The original Japanese program, adopted last August, called for storing the oil in onshore facilities; no oil was to be bought until 1980, and program money in 1978 and 1979 was to be spent for land acquisition and construction of facilities. Tokyo now plans to buy 31 million barrels of oil in 1978 and to finish construction of onshore facilities and oil purchases by 1982. The revised plan will cost roughly \$3.3 billion over the next five years, including \$1 billion in oil purchases.

25X1 [] Oil stored under the strategic program will be restricted to national-policy-crude imports--crude that comes from Japanese-developed projects abroad or government-to-government deals. The Ministry of International Trade and Industry wants to increase the national-policy-crude share of oil imports from the current 12 percent to at least one-third by 1990 in order to reduce Japan's dependence on major international oil companies.

25X1 [] The bulk of the crude purchased will come from the Saudi Arabia - Kuwait Neutral Zone. Iraq is the only other country supplying national-policy crude that could provide more than token quantities.

25X1 [] Japanese refiners are concerned that they may be forced to accept and refine large volumes of unwanted national-policy crude from the strategic stockpile in the near future

because safety laws require that stored oil be disposed of every few years. National-policy crude is mostly poor-quality heavy oil, which Japanese refiners prefer not to handle for economic and technical reasons.

25X1 [] In the past, the government has required each refiner to buy and process a portion of the available national-policy crude commensurate with the refiner's share of the market. Presumably the refiners will do so for strategic stockpile crude as well. []

ISRAEL-LEBANON: Ambush Incident

25X1 [] *The incident south of Tyre yesterday in which three Israeli soldiers were killed and two captured occurred when the Israelis strayed into a Palestinian-controlled area, according to the UN Secretariat.* []

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25X1 [] [] the Israeli patrol had been ambushed. []

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TURKEY-USSR: New Trade Protocol

25X1 [] *The USSR and Turkey yesterday signed a trade protocol for 1978 valued at about \$300 million. It includes provisions for Moscow's first aircraft sales to Turkey--two YAK-40 passenger planes and helicopters for agricultural use.*

25X1 [] The USSR has been trying for some time to sell replacements for Turkey's aging commercial aircraft. The Soviets apparently reversed their past policy of requiring cash payments for these items and agreed to accept agricultural products.

25X1 [] In an annex to the protocol, Moscow agreed to deliver more than \$30 million of equipment in 1978 to expand the Soviet-built Iskenderun steel mill. Moscow has also agreed to expand credits to Turkey.

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[REDACTED] //Soviet-Turkish trade has tripled since 1967 when the first major economic agreement was signed. The \$200 million credit extended at that time created Turkish industries that now provide, among other products, 100 percent of Turkey's aluminum and alumina, 30 percent of its steel, and 25 percent of its refined oil. Since then, Moscow has extended \$1.5 billion of additional credits to Turkey, largely for heavy industry, making the USSR Turkey's largest aid donor.//

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FRANCE: New Government Named

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[REDACTED] //The cabinet named yesterday by French Prime Minister Barre reflects President Giscard's interpretation of the election results as a mandate to continue on the course toward economic stabilization and centrist, technocratic government. Giscard did not bring any moderate leftists into the 19-seat cabinet. Subcabinet posts will be filled today.//

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[REDACTED] //Nine portfolios are held by the same individuals as in the outgoing government--Peyrefitte at Justice, Veil at Health, Guiringaud at the Quai, Bonnet at Interior, and Bourges at Defense, for example--but with some change in rank. Simone Veil, the most popular political figure in France, who had been considered for the post of prime minister, has risen from the bottom of the previous lineup to the number-two position behind Peyrefitte, a liberal Gaullist also considered a potential heir to Barre.//

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[REDACTED] //Six of the portfolios are held by people who held cabinet or subcabinet level positions in the outgoing government and have now shifted to new positions; the remaining

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four slots are filled by familiar bureaucratic faces. The combined economy-finance portfolio, held in the previous government by Barre himself, has been split into budget and economy and given to a Gaullist and a centrist, respectively. Barre confirmed, however, that he will retain overall control of economic policy.//

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[] //The seats are nominally balanced among Gaullists--none of whom is close to party leader Chirac or powers in the party--Giscardians, and technocrats. Only low-ranked Youth Minister Soisson, formerly head of Giscard's Republican party and now a vice president of his Union for French Democracy, has a formal political power base. With that exception, Giscard has chosen a group of professionals who will owe their primary allegiance to him and to his programs. []

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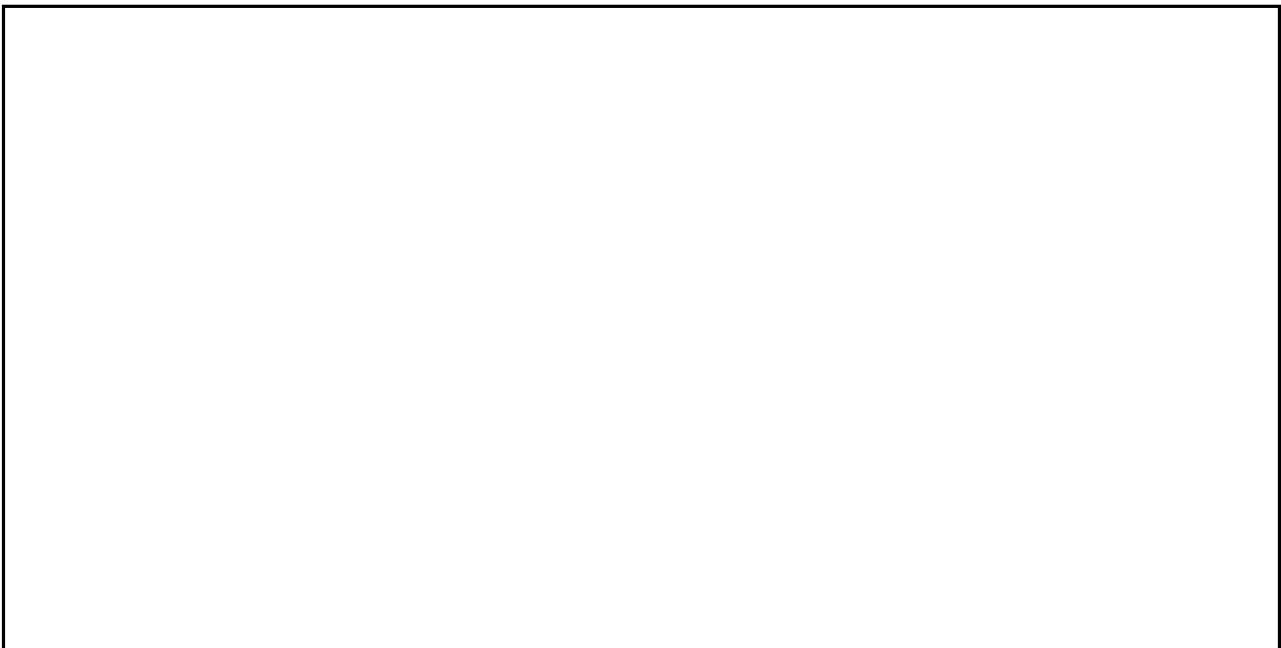
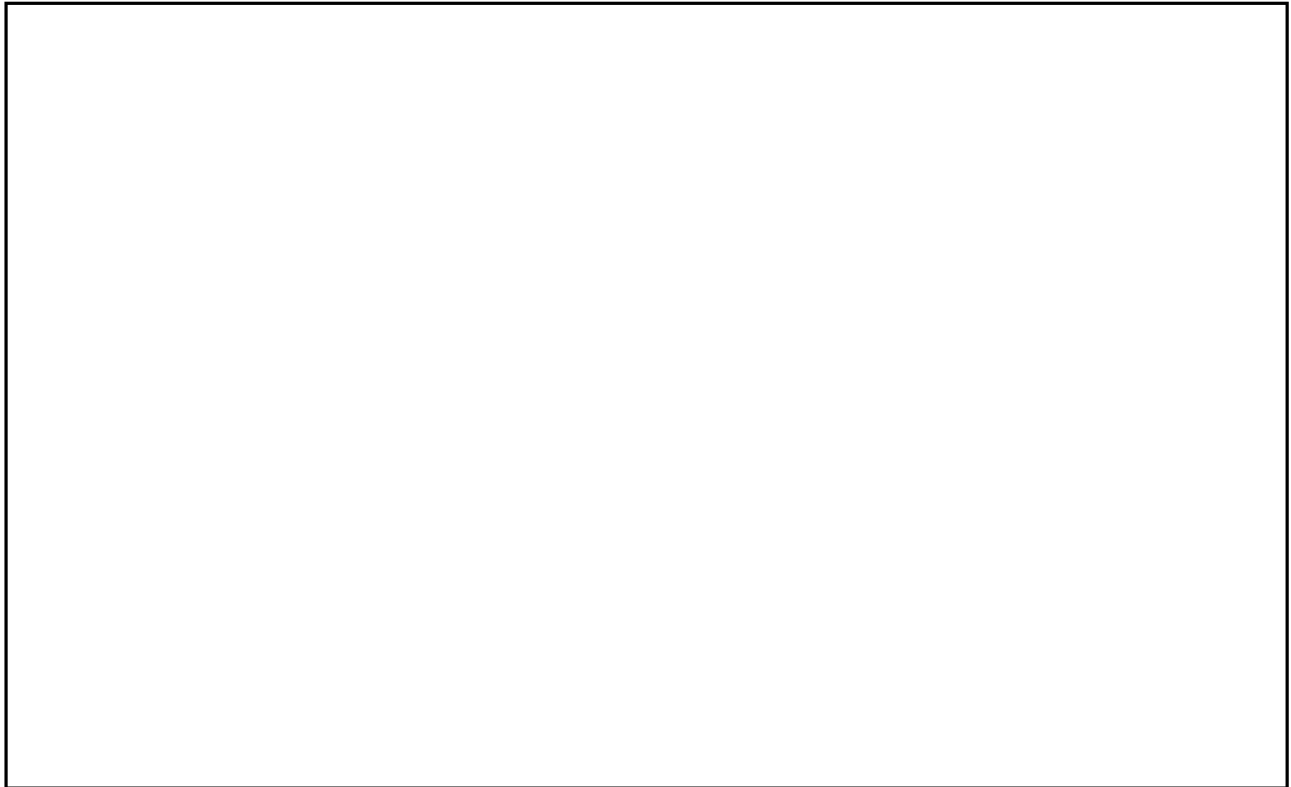
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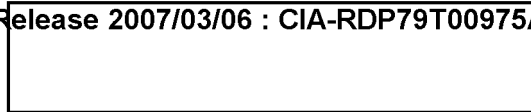
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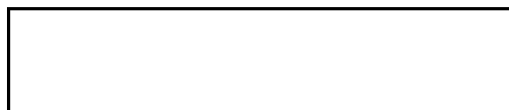
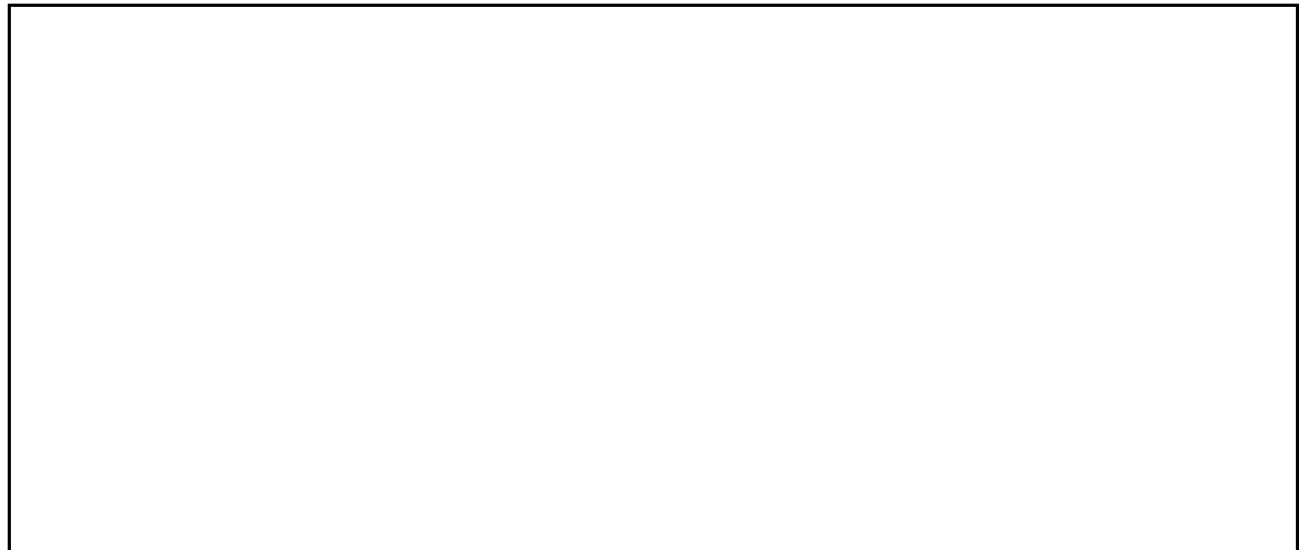
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USSR: Long-Term Energy-Saving

25X1 [] //The Soviet Government is placing new emphasis on long-term policies to conserve energy. The new program will require immediate expenditures, but results are unlikely for a number of years. Short-term tactics associated with the energy-saving campaign of late 1977 continue.//

25X1 [] //The new emphasis on conservation contrasts with the earlier Soviet line that the USSR was insulated from world energy shortages by superior socialist planning and immense domestic resources. It is also dramatically different from the improvisation that has characterized Soviet energy management since severe gasoline and diesel fuel shortages surfaced in mid-1976.//

25X1 [] The Soviet leadership has ordered that development of lightweight, fuel-saving internal combustion engines be speeded up. Requiring secondary fuel savings through changes in engine design and production technology represents a more comprehensive effort at gasoline and diesel fuel conservation than any made by other industrial powers.

25X1 [] //The Soviets have been unable in the past, however, to develop new technology quickly and to translate it to production. In any event, rushing available prototypes into production may disrupt the economy in the short run and divert resources from other programs.//

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[] In addition to the directive on engine development, the Soviets have taken other conservation steps:

- A Central Committee Resolution has commissioned research and development institutes to step up production of technology for long-term energy saving.
- Planners and the research and development establishment are being told with unusual urgency to translate energy-saving theory and prototypes into mass production.
- The Ministry of Instrument Making and Automation Equipment has been ordered to accelerate design and deployment of energy-saving control systems for factory machinery.
- The Electric Power Ministry, a leading energy consumer, has been directed to modernize equipment, improve distribution systems, and expand use of more readily available types of coal.

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[] //Soviet technical journals indicate that equipment modifications for energy-saving in electric power generation will not be quick, cheap, or simple. The desired results will become apparent only over a period of years.// []

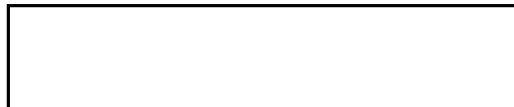
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BRIEFS

Namibia

25X1 [] South-West Africa Peoples Organization leader Sam Nujoma called a press conference in New Delhi this week to deny reports that SWAPO had categorically rejected the Western five-power contact group's proposals for the transition to independence in Namibia. He said SWAPO would study the proposals and respond to them in due course.

25X1 [] Nujoma noted that SWAPO would be inclined not to accept the proposals if South Africa retained control over Walvis Bay and if agreement were not reached on the stationing of at least 5,000 UN troops in the territory during the transition.

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Western Europe

25X1 [] //Representatives to the Independent European Program Group, composed of NATO members, have made clear that their objective in the "trans-Atlantic dialogue" on weapons procurement is to improve the so-called two-way street in favor of Western Europe.//

25X1 [] //The conferees, who met in Rome earlier this week, did agree, as desired by the US and Canada, to include in subsequent NATO discussions a broader examination of European, as well as North American, obstacles to arms flows. Both the French and the British took a hard line, however, against other North American proposals, including terms of reference for a study of industrial cooperation. []

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Bolivia

25X1 [] The Bolivian armed forces have decided to support the presidential election scheduled for July despite President Banzer's efforts to postpone it. The military reaffirmed its backing for a return to civilian rule after a three-day meeting of Bolivia's military commanders. Strong expressions of support for the election from the US and Venezuela probably weighed heavily in the officers' decision.

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[] Prospects for the election in July, however, remain fragile. Banzer, who is concerned about the potential for political and economic instability as a result of any return to constitutional rule, probably will continue to seek some variation of the democratization process. []

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